No. 98-531

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

UNOPPOSED MOTION FOR LEAVE TO FILE BRIEF OUT OF TIME AND BRIEF OF AMICUS CURIAE FEDERAL CIRCUIT BAR ASSOCIATION IN SUPPORT OF RESPONDENTS

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The Federal Circuit Bar Association respectfully moves for an extension of time in which to file the attached brief Amicus Curiae out of time in support of affirmance of the decision of the United States Court of Appeals for the Federal Circuit. The Association respectfully requests that the Court grant an extension of time up to and including April 6, 1999, for filing of the attached brief, 40 copies of which are submitted in accordance with Rule 21.2 of the Rules of this Court.

As noted in the attached brief, all parties have consented to the filing of the Association's brief. In addition, none of the parties object to the requested extension.

Amicus believes that the attached brief conforms to the requirements of Rule 37.1, and that, based on the consent of the parties, there would be no prejudice from acceptance of this brief. Counsel for Petitioner was provided a copy of Amicus' brief in sufficient time to allow Petitioner to respond to the points made in Amicus' Brief.

Respectfully submitted,

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STATEMENT OF AMICUS CURIAE

The Federal Circuit Bar Association ("the Association") is a national organization comprised of approximately 2,200 members who practice before or have an interest in the decisions of the United States Court of Appeals for the Federal Circuit. The Association offers a forum for the discussion and exchange of issues and concerns regarding the Court's areas of exclusive subject matter jurisdiction, and fosters dialogue among the Federal Circuit and the Association's members, including government counsel and private practitioners, litigators and corporate counsel. The members of the Association represent and advise owners of thousands of patents, and thus, have an interest in developing a reliable patent system as part of the intellectual property landscape.[1]

SUMMARY OF ARGUMENT

The Association submits this brief in support of the decision of the United States Court of Appeals for the Federal Circuit. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 (Fed. Cir. 1998), *cert. granted*, No. 98-531 (January 8, 1999). The Federal Circuit's decision upheld the constitutionality of Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-506, 106 Stat. 4230 (1992) 35 U.S.C. §§ 271(h), 296(a) ("the Patent Remedy Act"), leaving in place private parties' rights to bring suit in Federal

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[1]Pursuant to Rule 37.6, none of the parties or their counsel has contributed either substantively or monetarily to the preparation of this brief. Specifically, only the Association, its members and their firms, have made a monetary contribution to the preparation and submission of this brief. Written consent to the filing of this brief has been obtained from all parties and is filed herewith.

Court for patent infringement against individual States and their related entities.

Petitioner urges this Court to hold that Section 2 of the Act violates the Eleventh Amendment of the United States Constitution, contending both that patents are not "property" under the Fourteenth Amendment and that, in any event, effective post-deprivation remedies exist to make abrogation of immunity unnecessary. The Association submits that Petitioner has erroneously construed Eleventh and Fourteenth Amendment precedents as they relate to patents as property. Petitioner, and supporting amici, also overstate the nature and effectiveness of post-deprivation remedies that have been made available to patent owners by the individual states.

This Court's Eleventh and Fourteenth Amendment precedents are discussed at varying length in the parties' and other amicus briefs, and will not be repeated *in toto* here. Rather, the Association submits this brief to focus on two issues that are relevant to the decision and which the Association believes could have significant impact in the area of patent law: (1) whether a United States patent is "property" under the Fourteenth Amendment; and (2) whether existing state remedies provide constitutionally adequate due process to protect Article I patent rights.

For over two hundred years, patents have been granted to the discoverers of new and useful inventions and, once granted, have afforded "exclusive property" rights, most notably, the right to exclude others from making, using, or selling the patented invention. This Court and the federal appellate courts have consistently held that, under the Fifth Amendment, patents are "property," the taking of which is subject to redress under that Amendment's takings clause. Given that patents are property within the purview of the Fifth Amendment, a fact acknowledged and relied on by opponents of the decision below, there is no compelling reason to treat patents differently under the Fourteenth Amendment.

The fifty States do not provide constitutionally adequate remedies for patent infringement, such that there can be no abrogation of Eleventh Amendment immunity. Petitioner's, and the amici states', assertions that existing post-deprivation remedies are constitutionally adequate fail to consider several salient points, including: (1) the impact of the patchwork remedies on this federally-created property right; (2) the ineffectiveness of the various state procedures; (3) the failure of all states to provide post-deprivation remedies, leaving significant gaps in protection of the federal patent property right; and (4) the threat to exclusivity, the defining element of the property right, if injunctive relief is not available through each state's remedial procedures.

ARGUMENT

I. PATENTS ARE "PROPERTY" UNDER SECTION 1 OF THE FOURTEENTH AMENDMENT

A threshold issue in this appeal is whether a United States patent, which is itself rooted in Article I, Section 8 of the U.S. Constitution, is "property" under the Fourteenth Amendment. If patents are "property" under the Fourteenth Amendment, then the Court must address whether Congress's passage of the Patent Remedy Act falls within the purview of allowable actions under Section 5 of the Fourteenth Amendment.

Historically, patents have been viewed and treated as property. The patent right has consistently been described and applied in the same terms and manner used for other forms of property. Moreover, the remedies available to patent owners are based on the property right accompanying the patent grant. There is no plausible explanation to describe what other type of right a patent might constitute. Finally, Petitioner and supporting amici present no compelling reason to change this historical treatment of the patent right.

A. The Early Patent Statutes

The assertion that a patent does not convey the same scope of rights as other property is inconsistent with the historical precepts of both property rights generally and patent rights in particular. Over two hundred years ago, long before ratification of the Fourteenth Amendment, the early patent statutes recognized that patents, which convey the right to exclude others from practicing the protected invention, are property. The early patent statutes expressly referred to patents as the "exclusive property" of the patentee. For example, in

1793, the patent statute enacted by Congress included the following language:

> Section 1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when any person or persons, being a citizen or citizens of the United States, shall allege that he or they have invented any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement on any art, machine, manufacture or composition of matter, not known or used before the application, and shall present a petition to the Secretary of State, signifying a desire of obtaining an *exclusive property* in the same, and praying that a patent may be granted therefor, it shall and may be lawful for the said Secretary of State, to cause letters patent to be made out in the name of the United States . . . .

Patent Act of 1793, Ch. 11, 1 Stat. 318-323 (February 21, 1793) (emphasis added).

In 1836, Congress amended the patent statute, and again enunciated the patent right as one granting "exclusive property" to the patentee:

> Sec. 6. And be it further enacted, That any person or persons having discovered or invented any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvement on any art, machine, manufacture, or composition of matter, not known or used by others before his or their discovery or invention thereof, and not, at the time of his application for a patent, in public use or on sale, with his consent or allowance, as the inventor or

> discoverer; and shall desire to obtain an *exclusive property* therein, may make application in writing to the Commissioner of Patents, expressing such desire, and the Commissioner, on due proceedings had, may grant a patent therefor . . . .

Patent Act of 1836, Ch. 357, 5 Stat. 117 (July 4, 1836) (emphasis added). These enactments make clear that long before the Fourteenth Amendment was ratified, patents were deemed to convey an "exclusive property" right in and to an invention. That understanding never changed.

B. Patents Include the "Most Essential" Aspect of Property--The Right to Exclude

The Federal Circuit, citing numerous authorities, acknowledged patents' status as property, remarking that "[i]t is, of course, beyond cavil that the patent owned by College Savings is property." *College Savings Bank v. Florida Prepaid Postsecondary Educational Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998). These authorities, and others from this Court, all recognize the fundamental nature of property--the right to exclude. *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). "[The] right to exclude others" constitutes "one of the most essential sticks in the bundle of rights that are commonly characterized as property." *Id.* This right remains a fixture in today's patent law. The current patent statute grants the patentee the right, *inter alia*, to exclude others from making, using, selling, offering for sale, and importing the claimed invention. To argue that the patent property right is somehow lesser (or more "limited") than other property rights misconceives the nature of property, and casts the patent grant in a new, diminished light.

The essence of common law property rights has always been the right to exclude. *See, e.g.*, Sir William Blackstone,

Commentaries on the Laws of England, 11th Ed. (London, 1791) Vol. II, p. 2. Blackstone defines property as: "That sole and despotic dominion which one man claims and exercises over the external things of the world, in total *exclusion* of the right of any other individual in the whole universe." *Id.* (Emphasis added). This right to exclude has always defined the concept of property, whether that property consists of a land grant (real property), personal property, a patent for mineral rights, or a patent for an invention. Other property rights flow from this essential, defining right. In the case of real property, for example, it is through the right to exclude others from use or entry that one obtains the value of subsequent uses--i.e., the right to build, farm, or otherwise make use of land. George P. Smith, II, *Nuisance Law: The Morphogenesis of an Historical Revisionist Theory of Contemporary Economic Jurisprudence*, 74 Neb. L. Rev. 658 (1995).

Nor is a patent more "limited" than other types of property because the patentee does not receive the absolute right to make the patented invention. *Bloomer v. McQuewan*, 55 U.S. 539, 548 (1855); *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1014 (Fed. Cir. 1997). The limitations on the rights provided by the patent grant are not dissimilar to the limitations placed by society on the rights to use other forms of property. For example, real property, like a patent, is subject to certain external restrictions, despite the right to exclude. For real property, the exercise of "despotic dominion" is subject to limitations such as the rights of adjoining parcels, environmental restrictions, building codes, and other restrictions imposed by the common law and governmental regulation. *Dolan v. City of Tigard*, 512 U.S. 374 (1994); Smith, *supra*, 74 Neb. L. Rev. at 666. For patents, the right to exclude is tempered only to the extent practicing one's invention might impinge others' rights (*e.g.*, dominant patents, misuses, etc.) In both cases, the right to exclude does not include the absolute right of enjoyment. *See Lucas v. South*

Carolina Coastal Council, 505 U.S. 1003, 1030 (1992). Thus, there is no meaningful distinction between patents as property and other property such that patents do not constitute property under the Fourteenth Amendment.

C. Patents Are Property Under Both the Fifth and Fourteenth Amendments

This Court's prior decisions applying the Fourteenth Amendment do not establish a new or unique form of property. Rather, they indicate that the Fourteenth Amendment applies to that "property" which is precisely identified. *Bowen v. Public Agencies Opposed to Social Security Employment*, 477 U.S. 41, 55 (1986). Such property interests "are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that secure certain benefits and that support claims of entitlement to those benefits." *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 577-78 (1972). This specifically includes interests created and defined by statutory terms. *Id.* at 578. Patents, as statutory property creations, fall squarely within this definition.

Further support for the conclusion that patents are "property" protectable under the Fourteenth Amendment comes by analogy to Fifth Amendment jurisprudence. In *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571, 39 U.S.P.Q.2d 1065, 1068 (Fed. Cir. 1996), *vacated on other grounds*, 117 S.Ct. 1466 (1997), the Federal Circuit stated that the "unlicensed use of a patented invention is properly viewed as a taking of property under the Fifth Amendment." This Court's decisions are in accord. *See James v. Campbell*, 104 U.S. 356, 358 (1881) (emphasis added), where the Court stated:

> That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

This same language was quoted approvingly in *United States v. Palmer*, 128 U.S. 262, 271 (1888), shortly after ratification of the Fourteenth Amendment.

Having yielded to Congress the power and duty to "secur[e] to inventors the exclusive right to their . . . discoveries," there is no logical reason why property should have one meaning for purposes of applying the Fifth Amendment's protections, and another, different meaning when applying the Fourteenth Amendment.

II. EXISTING STATE REMEDIES DO NOT PROVIDE A CONSTITUTIONALLY ACCEPTABLE SUBSTITUTE FOR FEDERAL COURT JURISDICTION IN THIS UNIQUE SITUATION

Under this Court's Fourteenth Amendment jurisprudence, Congress may abrogate Eleventh Amendment immunity if, *inter alia*, the states provide inadequate remedial measures for correcting the violative action. Several reasons exist for concluding that the existing state remedial measures for patent infringement are inadequate, thereby justifying Congressional action.

A. *Inconsistent Treatment of Patents by the States Would Undermine Almost Two Decades of Harmonization*

By creating the Federal Circuit, Congress acted to bring uniformity and certainty to the enforcement of patent rights. This action was taken pursuant to the authority of Article I, to "secur[e] to inventors the exclusive right to their . . . discoveries." Congress concluded that the effectiveness of the patent property right demanded greater certainty than was then available from the several circuit courts of appeal. It substituted a national court with subject matter jurisdiction, and removed all other appellate courts' jurisdiction over appeals arising under the patent laws.

This carefully considered need for the vitality of the patent system could be eviscerated by allowing the states to assert sovereign immunity. Sustaining Eleventh Amendment immunity raises the potential for not just several courts, but for up to fifty different state supreme courts, and countless intermediate courts of appeal and trial courts, to issue decisions that affect the scope of patent rights. The Association respectfully submits that it is folly to believe that the potential for conflicting decisions is minimal. Moreover, the possibility of inconsistent results relating to the *same* patent would increase markedly. If the danger of inconsistency was not real and of import, there would have been no need for the Federal Circuit, a court that replaced only the courts of appeal, in the first place.

State courts are ill-prepared to handle patent cases, a fact recognized by opponents of the Federal Circuit's decision, who argue that all of these myriad state courts will likely look to Federal Circuit precedent as guidance. Finally, because many states' remedies do not even include judicial relief, the likelihood of inconsistent results is exponentially higher, and the

probability is greater that Federal Circuit authority will be cast aside in favor of more parochial concerns.

B. *Individual State Determinations About Patent Liability Would Raise New Uncertainties*

Even if all fifty states provided some form of post-deprivation process for redress of patent infringement,[2] the uniquely federal nature of patents dictates against allowing different procedures and potentially different results that would occur if Petitioner's position were adopted . In addition to the concern that applying the Eleventh Amendment would allow takings of property outside the states' borders, immunity would also require determining whether and to what extent such decisions have precedential effect (in other state courts, or in federal courts).

Eleventh Amendment immunity could lead to a particularly nefarious result if one state held a patent invalid, but another sustained its validity. These conflicting results could occur on the basis of the same evidence, and would leave the patent owner with piecemeal patent rights--effective in some states, ineffective in others. In this case, for example, Florida's courts might find Respondent's patent invalid, while another state finds the patent valid. Would the Florida result have preclusive effect? If not, what other issues could result from a patentee's continued assertion of a patent held valid in one state and invalid in another (*i.e.*, misuse, antitrust, unfair competition, etc.)? Moreover, would the invalidating state be inviting parties

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[2]The Appendix to the Brief of Amici Curiae States of Ohio, et al. shows that not all states provide process for redress of patent infringement. At least one state (West Virginia) is admitted to provide no process, while several others are shown to have processes, but no waiver of sovereign immunity for patent infringement. Still others provide no judicial relief, but only allow for relief by the state legislature.

to practice the patent within its borders while the same activity would be impermissible elsewhere?

Federal Court relief for patentees against the states guarantees that a patent valid and infringed in one state will be valid and infringed throughout the land. Without federal court jurisdiction over states' infringement, patentees would be left with less than their whole property right. The federal patent system cannot endure if patent rights are not of equal vitality in all fifty states. Moreover, individual patentees could be deprived of their due process rights on a national scale simply because one state elected to abandon Federal Circuit precedent. The uncertainty such a system would create would undermine the accomplishments of the Federal Circuit, and Congressional intent in implementing Article I, Section 8.

C. All States Do Not Provide Effective Due Process

While some states appear to provide judicial or quasi-judicial process for redress against patent infringement, the failure of a number of states to provide adequate due process permits Congressional action to fill the void, where Congress has identified both in prior legislation, and in the legislation at issue, that a primary objective of the abrogation is the maintenance of a uniform system of patent laws. The gaps in protection of the **federal** patent property right renders the due process of **some** states insufficient to defeat the legitimacy of Congress's action. *Compare Katzenbach v. Morgan*, 384 U.S. 641 (1966).

Congress need not have determined that **all** states lacked adequate due process before acting to preserve the uniformity and certainty of the patent system. It was sufficient that Congress found that due process was lacking in enough states to justify federalizing the system of relief available to the holders of this unique federal property right.

D. The Potential for a Loss of Exclusivity Justifies Congressional Action

For the "essential stick" of patent property to remain intact, patentees must retain the ability to enjoin infringers against further acts of infringement. Petitioner and its supporting amici seem to recognize this fact, because they acknowledge that patentees may still have a right, under *Ex Parte Young*, 209 U.S. 123 (1903), to sue states in federal courts for injunctive relief. Pet. Br. at 27.

If patentees are forced to sue states in federal courts in order to enjoin state infringement, why is there evil in allowing these same courts to assess damages? Clearly, if the injunctive remedy is available outside state boundaries, in federal court, it is more efficient to have one court deciding all liability issues. If Petitioner's argument is read to include the assumption that such an action could only be brought in an accused state's "home" federal court, this reduces the present argument to a jurisdictional dispute.[3]

If injunctive relief must be obtained in federal court, this also constitutes an admission that existing state court processes are inadequate to redress fully states' patent infringement. Providing only post-deprivation monetary remedies does not provide complete relief to patentees. And, again, it raises the likelihood of inconsistent results between the two proceedings.

CONCLUSION

The Patent Remedy Act avoids all of the concerns raised by dual state and federal decisions regarding the federal patent

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[3] Presumably, if the only defect in the Patent Remedy Act is that jurisdiction for actions against states must be limited to federal courts in that state, this Court can so inform Congress, and the statute can be satisfactorily amended.

property right. The Patent Remedy Act continues to guarantee that these unique federal property rights are applied nationally, and avoids piecemeal decision making. Congress acted to protect a federal property right, and in doing so, concluded that only by abrogating the states' immunity from suit for patent infringement could this important property right sustain its value. The decision of the Federal Circuit should, therefore, be affirmed.

Respectfully submitted,

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